NAVSEA
NAVAL SEA SYSTEMS COMMAND
Surface Warfare Center

STRATEGIC SOURCING

Naval Surface Warfare Budget Conference

4 March 2003

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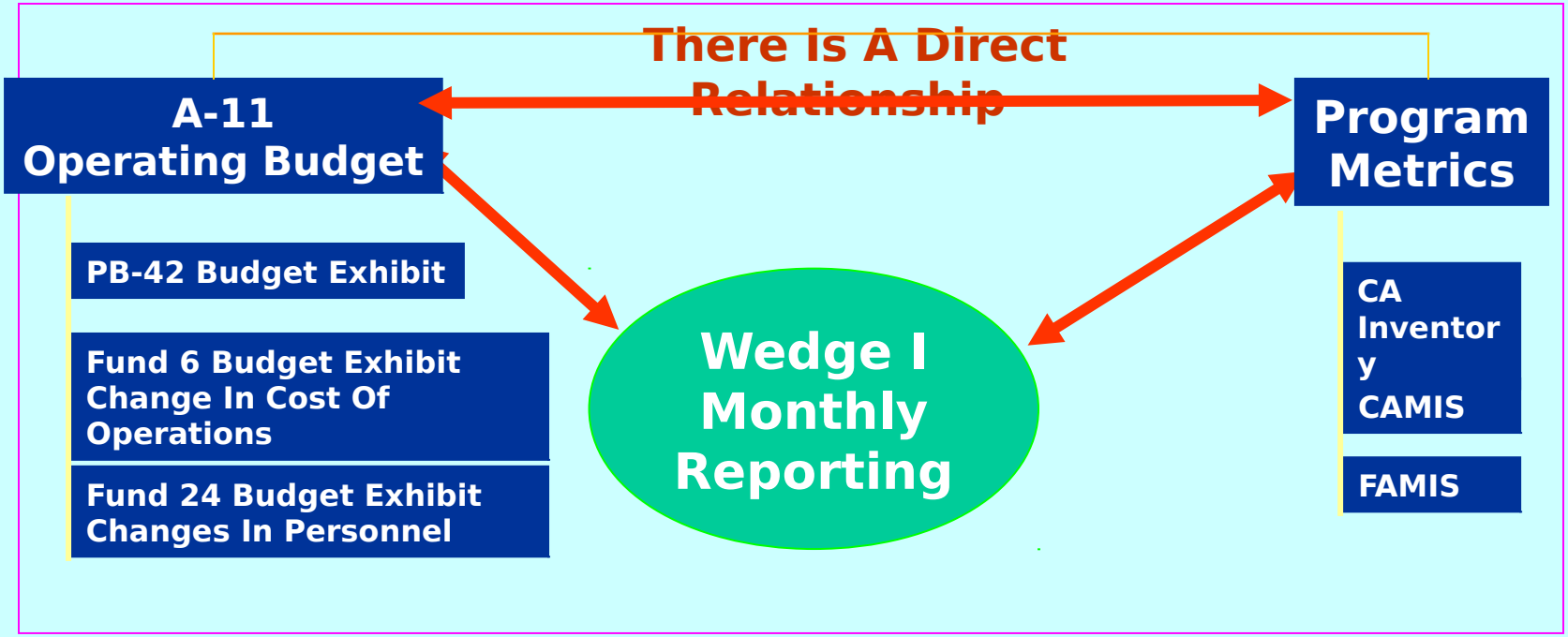
SEA ENTERPRISE: Resourcing Tomorrow's Fleet

SEA ENTERPRISE
Improve the effectiveness/efficiency of Navy infrastructure/business operations to free up resources to build the 21st century Navy.

Improve organizational alignment, reduce overhead, streamline processes, and reinvest savings to recapitalize our Navy and deliver increased combat

Strategic Sourcing Landscape


There is A Direct Relationship
A-11 Operating Budget
Program Metrics
PB-42 Budget Exhibit
Fund 6 Budget Exhibit Change In Cost Of Operations
Fund 24 Budget Exhibit Changes In Personnel
Wedge I Monthly Reporting
CA Inventory CAMIS
FAMIS

- FY 2004 Wedge II savings and Booze Allen Hamilton Efficiency Study savings tracked/reported separately
  - Quarterly reporting to the CNO

Guidance For FY2005 Budget Submit

- Wedge 1 guidance basically unchanged
- Annual steady state savings goals in the Strategic Sourcing plan of record should be maintained
- The PB-42 should reflect FY 2002 – FY 2005 savings targets provided in Attachment (a) guidance and should be adjusted for standard inflation & pay changes for FY 2006 – FY 2009

A-76 Guidance
"Assumptions"

- 30% of positions studied will be eliminated in achieving MEO status
- 40% of the remaining positions studied will be lost to the private sector
  - No increase in dollars saved on the exhibit
  - Dollars move to indirect contract services
- An average salary reflecting your past/current experience should be applied
- Study costs are estimated to be $2,000/position
- Separation costs are estimated at $38K in FY 02
- Study period is 18 months for a single function study, 30 months for multi-function study

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Non-A-76 Guidance
"Assumptions"

- 20% of positions studied will be eliminated
- An average salary reflecting your past/current experience should be applied
- Study costs are estimated to be $4,000/position
- Separation costs are estimated at $38K in FY 02

PB-42 Strategic Sourcing Plan

Components	A-76 & FA Studies
•Section A – Manpower Total Positions Studied/To Be Studied	Annual
• Section B – Number Of Studies Conducted	Annual
• Section C – Cost of Activities Studied/To Be Studied	Total Cost (Labor and Non-Labo
• Section D – Investment Cost	Transition and Study Costs
• Section E – Manpower Savings	FTE Savings
• Section F – Gross Savings	Direct/Indirect Labor/Non-Labor
• Section G – Net Savings	F Minus D

PB-42 Amounts Transfer Directly To the Fund 24 & Fund 6 Budget Exhibit(s) and Must Reconcile

PB-42 Sections

- Manpower: All positions to be studied
  - NSWC studies report only civilians:
    - Navy CA Study Announcements
    - CA Re announcements
    - Non-A-76 B&PR Initiatives
    - Privatization (Plug into FY 03 only) based on number of positions subject to privatization efforts
- Total # Of Studies Conducted
  - Should equal # of CA Studies plus B&PR Initiatives
  - Should match your CAMIS/FAMIS Input
- Current Costs Of Activities Studied/To Be Studied
  - Should reflect average accelerated salary of actual positions planned and/or studied
    - Direct Labor/Non Labor
    - Indirect Labor/Non Labor
  - Reflects the operational cost of the “As Is” Organization

PB-42 Sections (Cont)

- Investment Costs
  - Study Type
    - Include In-House or Contractor Support
  - Transition Type
    - Include VSIP, VERA, RIF, Training, etc.

- Manpower Savings (FTE)
  - Reflects reported personnel savings in prior years
  - Reflects projected personnel savings in budget years
  - PB-42 does not breakout FTEs as either direct/indirect positions
  - People/dollars associated with labor savings must be accounted for as direct/indirect to enable correct translation to Fund 6 & Fund 24 budget submits

PB-42 Sections (Cont)

- Gross Savings
  - Reflect past, present and future savings plan
  - Labor, Non Labor and material categories
    - Direct/Indirect
- Net Savings
  - Same format as gross savings
  - Gross savings minus investment costs
  - Form the baseline for the next fiscal year

Ongoing Events That Probably Will Impact NSWC In The Near Future

- Management Initiative Decision 907 Signed out on 20 December 2002
  - Lays out DoD's Commercial Activities and Competitive Sourcing Programs for FY 2004 and beyond
  - Directs the Navy to study an additional 2,000 FTEs in FY 2004
  - These are additional CA studies not part of the 40/40/20 plan
  - CA study positions have not been allocated within the Navy
  - Studies carry different cost/savings assumptions ($65K/FTE)
  - CA Study costs centrally funded up to 3,000/FTE

- Revision of A-76 Circular for Conducting Standard Competitions
  - Would affect CA studies in FY 2003 and beyond
  - Would accelerate CA studies to complete in less than 2 years
    - Proposal is 12 months

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Concerns

- **PB-42 Strategic Sourcing Budget Exhibit difficult to reconcile to Fund 6 & Fund 24 budget exhibits**
  - Capped savings contribute to bookkeeping problems
  - Resistance to report FTE savings until studies complete
    - Reported as attrition savings?

- **Savings for CA or FA are being reported inaccurately**
  - CAMIS/FAMIS database should match at some point in time with the PB-42 once the studies are completed

- **Savings reported in PB-42 should only reflect recurring savings**
  - One-time savings difficult to track in the PB-42 due to the recurring/cumulative amounts on a year to year basis

- **Additional wedge (efficiency & workload) savings targets must maintain their individuality in reporting via the chain of command**

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Summary

- The Navy is still counting on Wedge I savings to recapitalize the procurement accounts (absorbed via Sea Enterprise) business initiative

- We still need a strong defense, e.g., savings documentation that supports our position.

- If wedge II should take a PB-42 like approach, each wedge will be managed independent of the other.